

REGULATORY ALERT

**NATIONAL CREDIT UNION ADMINISTRATION
1775 DUKE STREET, ALEXANDRIA, VA 22314**

DATE: November 2009

NO: 09-RA-13

TO: All Federally-Insured Credit Unions

SUBJECT: Home Ownership and Equity Protection Act

Dear Board of Directors:

The Board of Governors of the Federal Reserve System (FRB) has announced changes to the minimum level of points and fees that designate when lenders must provide borrowers disclosures required by Section 32 of Regulation Z, Truth in Lending. Section 32 of Regulation Z implements the Home Ownership and Equity Protection Act of 1994 (HOEPA). HOEPA protects consumers from deceptive and unfair practices in home equity lending by establishing specific disclosure requirements for certain mortgages that have high rates of interest or assess high fees and points.

One of my goals as NCUA Chairman is for this agency to be a strong advocate of initiatives to protect members from predatory and unsafe financial products. I believe that credit unions – as consumer-friendly alternatives to predatory lenders – should not regularly charge mortgage rates and fees as high as those described in this alert. Therefore, very few credit union real estate loans should require these additional disclosures. However, I understand that some risk-based loans may from time to time exceed the following annual thresholds.

Annually, the FRB revises the minimum threshold for the total amount of points and fees that require lenders to provide borrowers with disclosures mandated by HOEPA. The annual revision is based upon the annual percentage change reflected in the Consumer Price Index as reported June 1, 2009. Effective January 1, 2010, the minimum threshold for total fees and points will decrease from \$583 to \$579. This adjustment does not affect the new rules¹ for “higher-priced mortgage loans” adopted by the FRB in July 2008. If the total points and fees exceed the greater of \$579 or 8 percent of the loan amount, Section 32 of Regulation Z requires lenders to provide borrowers additional disclosures. Credit insurance premiums for insurance written in connection with the credit transaction are fees for the purpose of this computation.

¹ Regulation Z, Section 226.35.

HOEPA applies to:

- First lien mortgage loans, excluding home purchases, where:
 - The annual percentage rate (APR) exceeds the rate of comparable maturity Treasury securities by more than 8 percentage points, or
 - Total fees and points payable by the consumer at or before closing exceed the greater of 8 percent of the total loan amount or the annual minimum threshold.
- Second lien mortgage loans where:
 - The APR exceeds the rate of comparable maturity Treasury securities by more than 10 percentage points, or
 - Total fees and points payable by the consumer at or before closing exceed the greater of 8 percent of the total loan amount or the annual minimum threshold.
- Other refinancing and home equity installment loans, excluding reverse mortgages and open ended lines of credit, where:
 - The APR exceeds the rate of comparable maturity Treasury securities by more than 10 percentage points, or
 - Total fees and points payable by the consumer at or before closing exceed the greater of 8 percent of the total loan amount or the annual minimum threshold.

A concise overview of HOEPA is published on the Federal Trade Commission's web site at: <http://www.ftc.gov/bcp/edu/pubs/consumer/homes/rea19.shtm>.

The FRB's press release and the Federal Register notice is available from the FRB's web site at:
<http://www.federalreserve.gov/newsevents/press/bcreg/20090810a.htm>.

Should you have questions about HOEPA disclosure requirements, please do not hesitate to contact your NCUA regional office or state supervisory authority.

Sincerely,

/s/

Debbie Matz
Chairman